AMENDED IN ASSEMBLY MAY 2, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 1222

Introduced by Assembly Member Laird

February 23, 2007

An act to amend—Section 17553 Sections 17518.5, 17551, 17553, 17564, 17581, and 17581.5 of, to add Section 17521.5 to, to add Article 1.5 (commencing with Section 17572) to Chapter 4 of Part 7 of Division 4 of Title 2 of, and to repeal Section 17572 of, of the Government Code, relating to state mandates.

LEGISLATIVE COUNSEL'S DIGEST

AB 1222, as amended, Laird. State mandates: legislatively determined mandate.

Under the California Constitution, whenever the Legislature or a state agency mandates a new program or higher level of service on any local government, including school districts, the state is required to provide a subvention of funds to reimburse the local government, with specified exceptions. Existing law establishes a procedure for local governmental agencies to file claims for reimbursement of these costs with the Commission on State Mandates. These procedures require that a claim for reimbursement include, among other things, a written narrative that identifies the specific sections of statutes or executive orders alleged to contain a mandate.

This bill would require that a test claim also identify the effective date and register number of regulations alleged to contain a mandate.

The procedures established by existing law also require the commission to hear and decide upon each claim for reimbursement and then determine the amount to be subvened for reimbursement and adopt

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parameters and guidelines for payment of claims. It requires the commission to consult with the Department of Finance, among other state officials, when adopting parameters and guidelines for reimbursement.

This bill would provide that, notwithstanding these provisions, the department and local governments may jointly request that the *Legislature determine if a particular statute or executive order imposes* a mandate for which reimbursement is required by the California Constitution. It would require that a joint request submitted to the Legislature identify the statute or executive order, a reasonable reimbursement methodology, a list of eligible claimants, an estimate of statewide costs for the initial claiming period, an annual dollar amount necessary for reimbursement, and documentation of significant support among affected local governments for the methodology. It would provide that, if the Legislature determines that the statute or executive order imposes a mandate for which reimbursement is required, it shall declare by statute that the requirements of the statute or executive order are a legislatively determined mandate, specify the period of reimbursement and methodology for reimbursing affected local governments, and appropriate funds sufficient for reimbursement in the Budget Act. It would authorize the Legislature to amend this methodology periodically, upon the recommendation of the department, a local government, or other interested party, and to repeal, modify, or suspend a legislatively determined mandate.

The bill also would provide that, by accepting payment of costs mandated by the state for a legislatively determined mandate, a local government agrees that this payment constitutes full reimbursement of its costs for that mandate for the applicable period of reimbursement, that the reasonable reimbursement methodology is appropriate for reimbursement payments on that mandate for the next 4 fiscal years, and that the local government shall withdraw any test claim pending before the commission regarding this mandate and will not file a new test claim on this mandate, unless the state does not appropriate adequate funds for reimbursement or fails to make the specified reimbursement payment but does not repeal or suspend the mandate.

The bill would also would specify procedures for the commission in connection with a test claim based on the same statute or executive order as a legislatively determined mandate and make other conforming changes.

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Vote: majority. Appropriation: no. Fiscal committee: no-yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- SECTION 1. Section 17518.5 of the Government Code is amended to read:
 - 17518.5. (a) "Reasonable reimbursement methodology" means a formula for reimbursing local agency and school district costs mandated by the state that meets *one of* the following conditions:
 - (1) The total amount to be reimbursed statewide is equivalent to total estimated local agency and school district costs to implement the mandate in a cost-efficient manner.
 - (2) For 50 percent or more of eligible local agency and school district claimants, the amount reimbursed is estimated to fully offset their projected costs to implement the mandate in a cost-efficient manner.
 - (3) It is based on cost information from a representative sample of eligible claimants, information provided by associations of affected local governments, or other projections of local costs.
 - (b) Whenever possible, a reasonable reimbursement methodology shall be based on general allocation formulas, uniform cost allowances, and other approximations of local costs mandated by the state, rather than detailed documentation of actual local costs. In cases when local agencies and school districts are projected to incur costs to implement a mandate over a period of more than one fiscal year, the determination of a reasonable reimbursement methodology may consider local costs and state reimbursements over a period of greater than one fiscal year, but not exceeding 10 years.
- (c) A reasonable reimbursement methodology may be developed by any of the following:
- (1) The Department of Finance.
- 29 (2) The Controller.
- 30 (3) An affected state agency.
- 31 (4) A claimant.

- 32 (5) An interested party.
- 33 SEC. 2. Section 17521.5 is added to the Government Code, to 34 read:

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"Legislatively determined mandate" means the 17521.5. provisions of a statute or executive order that the Legislature, pursuant to Article 1.5, has declared by statute to be a mandate for which reimbursement is required by Section 6 of Article XIIIB of the California Constitution.

- SEC. 3. Section 17551 of the Government Code is amended to read:
- 17551. (a) The commission, pursuant to the provisions of this chapter, shall hear and decide upon a claim by a local agency or school district that the local agency or school district is entitled to be reimbursed by the state for costs mandated by the state as required by Section 6 of Article XIIIB of the California Constitution.
- (b) Commission review of claims may be had pursuant to subdivision (a) only if the test claim is filed within the time limits specified in this section.
- (c) Local agency and school district test claims shall be filed not later than 12 months following the effective date of a statute or executive order, or within 12 months of incurring increased costs as a result of a statute or executive order, whichever is later. This statute of limitations shall be tolled from the date a joint request for a legislatively determined mandate is submitted to the Legislature pursuant to Section 17573, to the date that either the joint request is enacted in the Budget Act for the year or the date on which the Budget Act is enacted if it fails to include the joint request. Each of these dates shall be the date on which the commission receives notice from the Department of Finance pursuant to Section 17573.
- (d) The commission, pursuant to the provisions of this chapter, shall hear and decide upon a claim by a local agency or school district filed on or after January 1, 1985, that the Controller has incorrectly reduced payments to the local agency or school district pursuant to paragraph (2) of subdivision (d) of Section 17561.

34 SECTION 1.

- SEC. 4. Section 17553 of the Government Code is amended 36 to read:
- 37 (a) The commission shall adopt procedures for 38 receiving claims pursuant to this article and for providing a hearing 39 on those claims. The procedures shall do all of the following:

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(1) Provide for presentation of evidence by the claimant, the Department of Finance, and any other affected department or agency, and any other interested person.

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- (2) Ensure that a statewide cost estimate is adopted within 12 months after receipt of a test claim, when a determination is made by the commission that a mandate exists. This deadline may be extended for up to six months upon the request of either the claimant or the commission.
- (3) Permit the hearing of a claim to be postponed at the request of the claimant, without prejudice, until the next scheduled hearing.
- (b) All test claims shall be filed on a form prescribed by the commission and shall contain at least the following elements and documents:
- (1) A written narrative that identifies the specific sections of statutes or executive orders and the effective date and register number of regulations alleged to contain a mandate and shall include all of the following:
- (A) A detailed description of the new activities and costs that arise from the mandate.
- (B) A detailed description of existing activities and costs that are modified by the mandate.
- (C) The actual increased costs incurred by the claimant during the fiscal year for which the claim was filed to implement the alleged mandate.
- (D) The actual or estimated annual costs that will be incurred by the claimant to implement the alleged mandate during the fiscal year immediately following the fiscal year for which the claim was filed.
- (E) A statewide cost estimate of increased costs that all local agencies or school districts will incur to implement the alleged mandate during the fiscal year immediately following the fiscal year for which the claim was filed.
 - (F) Identification of all of the following:
 - (i) Dedicated state funds appropriated for this program.
- (ii) Dedicated federal funds appropriated for this program.
- 36 (iii) Other nonlocal agency funds dedicated for this program.
- 37 (iv) The local agency's general purpose funds for this program.
 - (v) Fee authority to offset the costs of this program.
- 39 (G) Identification of prior mandate determinations made by the
- 40 California Victim Compensation and Government Claims Board

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or the Commission on State Mandates that may be related to the alleged mandate.

- (2) The written narrative shall be supported with declarations under penalty of perjury, based on the declarant's personal knowledge, information, or belief, and signed by persons who are authorized and competent to do so, as follows:
- (A) Declarations of actual or estimated increased costs that will be incurred by the claimant to implement the alleged mandate.
- (B) Declarations identifying all local, state, or federal funds, or fee authority that may be used to offset the increased costs that will be incurred by the claimant to implement the alleged mandate, including direct and indirect costs.
- (C) Declarations describing new activities performed to implement specified provisions of the new statute or executive order alleged to impose a reimbursable state-mandated program. Specific references shall be made to chapters, articles, sections, or page numbers alleged to impose a reimbursable state-mandated program.
- (3) (A) The written narrative shall be supported with copies of all of the following:
- (i) The test claim statute that includes the bill number or executive order, alleged to impose or impact a mandate.
- (ii) Relevant portions of state constitutional provisions, federal statutes, and executive orders that may impact the alleged mandate.
- (iii) Administrative decisions and court decisions cited in the narrative.
- (B) State mandate determinations made by the California Victim Compensation and Government Claims Board and the Commission on State Mandates and published court decisions on state mandate determinations made by the Commission on State Mandates are exempt from this requirement.
- (4) A test claim shall be signed at the end of the document, under penalty of perjury by the claimant or its authorized representative, with the declaration that the test claim is true and complete to the best of the declarant's personal knowledge, information, or belief. The date of signing, the declarant's title, address, telephone number, facsimile machine telephone number, and electronic mail address shall be included.
- (c) If a completed test claim is not received by the commission within 30 calendar days from the date that an incomplete test claim

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was returned by the commission, the original test claim filing date may be disallowed, and a new test claim may be accepted on the same statute or executive order.

(d) In addition, the commission shall determine whether an incorrect reduction claim is complete within 10 days after the date that the incorrect reduction claim is filed. If the commission determines that an incorrect reduction claim is not complete, the commission shall notify the local agency and school district that filed the claim stating the reasons that the claim is not complete. The local agency or school district shall have 30 days to complete the claim. The commission shall serve a copy of the complete incorrect reduction claim on the Controller. The Controller shall have no more than 90 days after the date the claim is delivered or mailed to file any rebuttal to an incorrect reduction claim. The failure of the Controller to file a rebuttal to an incorrect reduction claim shall not serve to delay the consideration of the claim by the commission.

SEC. 5. Section 17564 of the Government Code is amended to read:

17564. (a) No claim shall be made pursuant to Sections 17551 and, 17561, or 17573, nor shall any payment be made on claims submitted pursuant to Sections 17551-and or 17561, or pursuant to a legislative determination under Section 17573, unless these claims exceed one thousand dollars (\$1,000), provided that. However, a county superintendent of schools or county may submit a combined claim on behalf of school districts, direct service districts, or special districts within their county if the combined claim exceeds one thousand dollars (\$1,000) even if the individual school district's, direct service district's, or special district's claims do not each exceed one thousand dollars (\$1,000). The county superintendent of schools or the county shall determine if the submission of the combined claim is economically feasible and shall be responsible for disbursing the funds to each school, direct service, or special district. These combined claims may be filed only when the county superintendent of schools or the county is the fiscal agent for the districts. All subsequent claims based upon the same mandate shall only be filed in the combined form unless a school district, direct service district, or special district provides to the county superintendent of schools or county and to the

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1 Controller, at least 180 days prior to the deadline for filing the 2 claim, a written notice of its intent to file a separate claim.

- (b) Claims for direct and indirect costs filed pursuant to Section 17561 shall be filed in the manner prescribed in the parameters and guidelines and claiming instructions.
- (c) Claims pursuant to a legislatively determined mandate pursuant to Section 17573 shall be filed and paid in the manner prescribed in the Budget Act or other bill.
 - SEC. 6. Section 17572 of the Government Code is repealed.
- 17572. (a) The commission shall amend the parameters and guidelines for the state-mandated local program contained in Chapter 752 of the Statutes of 1998, known as the Animal Adoption mandate (Case No. 98-TC-11), as specified below:
- (1) Amend the formula for determining the reimbursable portion of acquiring or building additional shelter space that is larger than needed to comply with the increased holding period to specify that costs incurred to address preexisting shelter overcrowding or animal population growth are not reimbursable.
- (2) Clarify how the costs for care and maintenance shall be ealculated.
- (3) Detail the documentation necessary to support reimbursement claims under this mandate, in consultation with the Bureau of State Audits and the Controller's office.
- (b) The parameters and guidelines, as amended pursuant to this section, shall apply to claims for costs incurred in fiscal years commencing with the 2005–06 fiscal year in which Chapter 752 of the Statutes of 1998 is not suspended pursuant to Section 17581.
- (e) Before funds are appropriated to reimburse local agencies for claims related to costs incurred in fiscal years commencing with the 2005–06 fiscal year pursuant to Sections 1834 and 1846 of the Civil Code, and Sections 31108, 31752, 31752.5, 31753, 32001, and 32003 of the Food and Agricultural Code, known as the Animal Adoption mandate, local agencies shall file reimbursement claims pursuant to the parameters and guidelines amended pursuant to this section, and the Controller's revised claiming instructions.
- 37 SEC. 7. Article 1.5 (commencing with Section 17572) is added 38 to Chapter 4 of Part 7 of Division 4 of Title 2 of the Government 39 Code, to read:

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Article 1.5. Legislatively Determined Mandate Procedure

- 17572. The Legislature finds and declares all of the following:
 (a) Early settlement of mandate claims will allow the commission to focus its efforts on rendering sound quasi-judicial decisions regarding complicated disputes over the existence of state-mandated local programs.
- (b) Early settlement of mandate claims will provide timely information to the Legislature regarding local costs of state requirements and timely reimbursement to local governments.
- (c) It is the intent of the Legislature to provide for an orderly process for settling mandate claims in which the parties are in substantial agreement. Nothing in this article diminishes the right of a local government that chooses not to accept reimbursement pursuant to this article from filing a test claim with the commission or taking other steps to obtain reimbursement pursuant to Section 6 of Article XIII B of the California Constitution.
- 17573. (a) Notwithstanding Section 17551, the Department of Finance and local governments may jointly request that the Legislature (1) determine if local governments are entitled to reimbursement of costs mandated by the state as required by Section 6 of Article XIIIB of the California Constitution, (2) establish a reimbursement methodology, and (3) appropriate funds for reimbursement.
- (b) The statute of limitations specified in Section 17551 shall be tolled from the date a joint request for a legislatively determined mandate is submitted to the Legislature pursuant to this section, to the date that either the joint request is enacted in the Budget Act for that year or the date on which the Budget Act is enacted if it fails to include the joint request. Each of these dates shall be the date on which the commission receives notice from the Department of Finance pursuant to this section.
- (c) A joint request made under subdivision (a) shall include all of the following:
- (1) Identification of the provisions of the statute or executive order alleged to impose a new requirement on local governments, a reimbursement methodology, and a period of reimbursement.
- (2) A list of eligible claimants and a statewide cost estimate for the initial claiming period and annual dollar amount necessary

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to reimburse local governments for costs mandated by that statute or executive order.

- (3) Documentation of significant support among affected local governments for the proposed reimbursement methodology, including, but not limited to, endorsements by statewide associations of affected local governments and letters of approval by a majority of responding affected local governments.
- (d) A joint request authorized by this section may be submitted to the Legislature at any time after enactment of a statute or issuance of an executive order, regardless of whether a test claim on the same statute or executive order is pending with the commission. If a test claim is pending before the commission, the period of reimbursement established by that filing shall apply to a joint request filed pursuant to this section.
- (e) If the Legislature determines that the statute or executive order imposes a mandate for which reimbursement is required by Section 6 of Article XIII B of the California Constitution, it shall declare by statute that the requirements of the statute or executive order are a legislatively determined mandate, specify the period of reimbursement and formula or methodology for reimbursing affected local governments, and appropriate funds sufficient for reimbursement in the Budget Act or other bill.
- (f) The Legislature may amend the reimbursement methodology periodically, upon the recommendation of the Department of Finance, a local government, or other interested party.
- (g) The Legislature may repeal or modify a legislatively determined mandate or suspend it pursuant to Section 17581 or 17581.5.
- (h) The Department of Finance shall notify the commission of actions taken pursuant to this section, as specified below:
- (1) Provide the commission with a copy of a joint request when it is submitted to the Legislature.
- (2) Notify the commission of the Legislature's action on a joint request in the Budget Act or of the Legislature's failure to include a joint request in the enacted Budget Act.
- (3) Provide the commission with a copy of the final version of a joint request if modifications are made by the Legislature.
- (i) Upon receipt of notice from the Department of Finance that a joint request has been submitted to the Legislature on the same statute or executive order as a pending test claim, the commission

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may stay its proceedings on the pending test claim upon the request of any party.

- (j) Upon enactment of a statute declaring a legislatively determined mandate and sufficient appropriation for reimbursement in the Budget Act or other bill pursuant to this section, both of the following shall apply:
- (1) The commission shall not be required to adopt a statement of decision, parameters and guidelines or statewide cost estimate on the same statute or executive order unless an affected local government that has rejected the amount of reimbursement files a test claim or takes over a withdrawn test claim on the same statute or executive order.
- (2) Local governments accepting payment of costs mandated by the state shall not be required to submit parameters and guidelines pursuant to Section 17557.
- 17574. (a) By accepting payment of costs mandated by the state for a legislatively determined mandate, a local government agrees to the following terms and conditions:
- (1) Any unpaid reimbursement claims filed with the Controller pursuant to Section 17561 shall be deemed withdrawn if they are on the same statute or executive order of a legislatively determined mandate and for the same period of reimbursement.
- (2) The payment constitutes full reimbursement of its costs for that mandate for the applicable period of reimbursement.
- (3) The methodology upon which the payment is calculated is an appropriate reimbursement methodology for the next four fiscal years.
- (4) A test claim filed with the commission on the same statute or executive order as a legislatively determined mandate shall be withdrawn.
- (5) A new test claim may not be filed on the same statute or executive order as a legislatively determined mandate unless one of the following applies:
- (A) The state does not appropriate funds adequate to reimburse local governments based on the reimbursement methodology enacted by the Legislature.
- 37 (B) The state fails to make the specified reimbursement payments 38 and does not repeal or suspend the mandate pursuant to Section 39 17581 or 17581.5.

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(b) Any local government that rejects the amount of reimbursement in the legislatively determined mandate may file a test claim with the commission or take over a withdrawn test claim. No mandate reimbursement on this test claim shall be received by this local government until the commission process is complete and funds for reimbursement are appropriated.

SEC. 8. Section 17581 of the Government Code is amended to read:

- 17581. (a) No local agency shall be required to implement or give effect to any statute or executive order, or portion thereof, during any fiscal year and for the period immediately following that fiscal year for which the Budget Act has not been enacted for the subsequent fiscal year if all of the following apply:
- (1) The statute or executive order, or portion thereof, has been determined by the Legislature, the commission, or any court to mandate a new program or higher level of service requiring reimbursement of local agencies pursuant to Section 6 of Article XIII B of the California Constitution.
- (2) The statute or executive order, or portion thereof, or the commission's test claim number, has been specifically identified by the Legislature in the Budget Act for the fiscal year as being one for which reimbursement is not provided for that fiscal year. For purposes of this paragraph, a mandate shall be considered to have been specifically identified by the Legislature only if it has been included within the schedule of reimbursable mandates shown in the Budget Act and it is specifically identified in the language of a provision of the item providing the appropriation for mandate reimbursements.
- (b) Within 30 days after enactment of the Budget Act, the Department of Finance shall notify local agencies of any statute or executive order, or portion thereof, for which operation of the mandate is suspended because reimbursement is not provided for that fiscal year pursuant to this section and Section 6 of Article XIIIB of the California Constitution.

(b)

(c) Notwithstanding any other provision of law, if a local agency elects to implement or give effect to a statute or executive order described in subdivision (a), the local agency may assess fees to persons or entities which benefit from the statute or executive

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order. Any fee assessed pursuant to this subdivision shall not exceed the costs reasonably borne by the local agency.

(c)

- (d) This section shall not apply to any state-mandated local program for the trial courts, as specified in Section 77203.
- (e) This section shall not apply to any state-mandated local program for which the reimbursement funding counts toward the minimum General Fund requirements of Section 8 of Article XVI of the Constitution.
- SEC. 9. Section 17581.5 of the Government Code is amended to read:
- 17581.5. (a) A school district may not be required to implement or give effect to the statutes, or portion thereof, identified in subdivision-(b) (c) during any fiscal year and for the period immediately following that fiscal year for which the Budget Act has not been enacted for the subsequent fiscal year if all of the following apply:
- (1) The statute or portion thereof, has been determined by the Legislature, the commission, or any court to mandate a new program or higher level of service requiring reimbursement of school districts pursuant to Section 6 of Article XIII B of the California Constitution.
- (2) The statute, or portion thereof, or the test claim number utilized by the commission, has been specifically identified by the Legislature in the Budget Act for the fiscal year as being one for which reimbursement is not provided for that fiscal year. For purposes of this paragraph, a mandate shall be considered to have been specifically identified by the Legislature only if it has been included within the schedule of reimbursable mandates shown in the Budget Act and it is specifically identified in the language of a provision of the item providing the appropriation for mandate reimbursements.
- (b) Within 30 days after enactment of the Budget Act, the Department of Finance shall notify school districts of any statute or executive order, or portion thereof, for which reimbursement is not provided for that fiscal year pursuant to this section.

38 (b)

(c) This section applies only to the following mandates:

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1 (1) The School Bus Safety I (CSM-4433) and II (97-TC-22) 2 mandates (Chapter 642 of the Statutes of 1992; Chapter 831 of the 3 Statutes of 1994; and Chapter 739 of the Statutes of 1997).

- (2) The School Crimes Reporting II mandate (97-TC-03; and Chapter 759 of the Statutes of 1992 and Chapter 410 of the Statutes of 1995).
- (3) Investment reports (96-358-02; and Chapter 783 of the Statutes of 1995 and Chapters 156 and 749 of the Statutes of 1996).
- 9 (4) County treasury oversight committees (96-365-03; and 10 Chapter 784 of the Statutes of 1995 and Chapter 156 of the Statutes of 1996).
- 12 (5) Grand jury proceedings mandate (98-TC-27; and Chapter 13 1170 of the Statutes of 1996, Chapter 443 of the Statutes of 1997, and Chapter 230 of the Statutes of 1998).